Judge:	Hon. Marc L. Barreca
Chapter:	Chapter 7
Hearing Date:	September 9, 2011
Hearing Time:	9:30 a.m.
Hearing Site:	700 Stewart St., #7106 Seattle, WA 98101
Response Date:	September 2, 2011

UNITED STATES BANKRUPTCY COURT FOR THE
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

In re: ADAM GROSSMAN, Debtor.	Case No. 10-19817 TRUSTEE'S SUPPLEMENTAL OBJECTION TO APPLICATION FOR DISBURSEMENT OF FEES TO TSAI LAW GROUP

Ron Brown, the Chapter 7 Trustee in this case, by and through his counsel files this supplemental objection to the application for disbursement of fees to the Tsai Law Group which is intended to update the court on events that have transpired since the last hearing on this issue.

The parties were last before this Court on May 17, 2011 for the hearing on the Application for Compensation ("Fee Application") (docket #150) of the Tsai Law Group. The Court approved the Fee Application, but did not authorize disbursement of the funds. At issue was the source of the funds that the Tsai group was holding - - .

In relation to the $29,500.00 of funds the Tsai Law Group was paid in February, 2011, there are two declarations prepared by the Tsai law Group filed in support of the Fee Application ("docket #151 Exhibits "1" and "2). The Declaration of Dennis Vidach states:

"I am remitting $9,500.00 to Emily J. Tsai to pay attomey's fees for her services in family court for Adam Grossman."

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Mr. Vidach remitted a cashier's check in the amount of $9,500.00 dated February 1, 2011. The cashiers' checks was purchased at Wells Fargo Bank 4800 University Way, N.E., Seattle, WA 98105. Mr. Vadich lives in New York. See Moewes Declaration, Exhibit "1".

The Declaration of Susan Meyers states:

I am remitting $20,000.00 to Emily J. Tsai to pay attorney's fees for her services in family court for Adam Grossman.

The declaration is dated February 2, 2011.

There are three cashier's checks allegedly paid by Susan Meyers, one dated February 4, 2011 in the amount of $9,000 purchased from Wells Fargo Bank, 1620 4th Avenue, Seattle, Washington, 98101; one dated February 10, 2011 in the amount of $7,000.00 purchased from Wells Fargo Bank at 4500 University Way NE, Seattle, WA; and a third one dated February 22, 2011 in the amount of $4,000.00 purchased from Wells Fargo Bank at 1216 4th Avenue, Seattle, Washington. The debtor previously testified that his aunt does not live in Washington State.. Moewes Declaration , Exhibit "2".

Both declarations are unequivocal and clear each party is sending a check to Emily Tsai. Clearly the question becomes, did these parties mail these checks to her or were they delivered by Adam Grossman?

Upon reviewing these checks it seemed odd that Mr. Vidach would fly to Seattle to purchase a cashier's check and Susan Meyers would fly to Seattle on three separate occasions to purchase cashier's checks rather than just purchasing the checks from their bank in the location where they lived. these individuals would fly to Seattle to purchase cashier's check, especially at a Wells Fargo branch that the debtor has at last one checking and one savings account.

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At the hearing on the Fee Application the Court granted the Fee Application but did not authorize payment of the $29,500.00 or other fees received by the Tsai Law Group to be disbursed in payment of those fees. (Docket #196).

The trustee subpoenaed Wells Fargo Bank to determine the purchaser of the cashier's checks and the source of the funds. Moewes Declaration, Exhibit "3".

The Wells Fargo response to the subpoena shows that the purchaser of the cashier's checks at issue was neither Dennis Vidach nor Susan Meyers, but Adam Grossman. Moewes Declaration, Exhibit "4". The Wells Fargo Bank subpoena response also references a bank account number. A copy of the bank statement for that account reflects that there was no money in the account from which to purchase said checks. Moewes Declaration, Exhibit "5. Therefore, the only source of the funds used to purchase the cashier's checks must be cash.

The debtor opened up a bank account at Bank of America on or about May 14, 2009 in the name of the Ptarmigan Real Estate Fund, LLC. The Ptarmigan Fund is a company owned and controlled by the debtor. The debtor is the sole signatory on the account. Moewes Declaration, Exhibit "6" .

A review of the January and February, 2011 Ptarmigan bank statements evidences cash withdrawals by the debtor which correspond pretty closely to the four cashier's checks given to the Tsai Law firm.

The wire of $159,309.10 into the account number 7708 was from the Terrington Davies, LLC,/Tanager Fund . Moewes Declaration, Exhibit "7". The debtor acknowledges that he switched his ownership interest from Tanager Fund to Ptarmigan Fund.

Q. Go across to the left. It says, Redeem Units.

A. Yes.

Q. Keep going until you see, Cash Out.

A. Yes.

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Q. 19,198 is the best I can make it.

A. Yes.

Q. So that's money you received for redeeming units?

A. Yes.

Q. So then we keep going down two transactions - Your name appears again under Redeem Units.
A. Yes.

Q. Go across. It shows 118,000 going to you for the redemption of units.

A. Yes. And, actually, that's a very good example because it shows, right underneath that, $118,000 purchased by TDCM.

Q. Right, not in your name?

A. Correct. But TDCM --

Q. You essentially laundered the units out of your name into another entity name?

A. I don't know what you mean by "laundered."

Q. You switched them out.

A. That's not laundering.

Q. You took the units, abracadabra, they're not my units anymore. They're now Ptarmigan units. The same money, the same units.

A. Which I owned funds in.

Q. Right.

A. So if you said -- if you said, you know, the week before, just regarding this money, What do you personally own? I would say I owned $118,000 of Tanager Fund. And if you asked me a week after, I would say I owned $118,000 of Ptarmigan Fund.

See the transcript of the Bankruptcy Rule 2004 examination of Adam R. Grossman dated August 11, 2011 - Exhibit "8" to the Moewes Declaration, page 82, lines 1-25 and page 83 lines 1-9..

Thus it seems pretty clear that the funds used to pay the Tsa Law Group $29,500 in February, 2011 did not come from Susan Meyers or Dennis Vidach, but were in fact the debtor's funds which belonged to the bankruptcy estate of Adam Grossman.

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The motion to disburse the $29,500.00 of funds in the Tsai Law Group account should be denied and those funds should be ordered to be turned over to the Trustee pending further order of the Court authorizing disbursement.

The Trustee requests that the Court deny the application for compensation in its entirety and order the Tsai law firm to turn over all funds it is holding to the Trustee. It is obvious if these funds are property of the estate the Chapter 7 administrative claims have priority over the Chapter 11 claims.

Dated this 2nd day of September, 2011.

WOOD & JONES, P.S.

/s/ Denice E. Moewes
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